



January 2003

Discussion Paper for the 2004 Master Plan: State Enrollment Policy and Funding Practice

Higher education is essential to developing an educated citizenry. An educated citizenry is valued because by enhancing the quality of individual lives, society is provided with a basis for developing and sustaining a sound economy, as well as a culture that respects and promotes individual dignity. Public higher education plays an important role in realizing these benefits by providing access to both traditional academic programs and specific occupational training opportunities.

Introduction

This discussion paper will (1) summarize anticipated enrollment needs and goals in public higher education institutions through 2010, (2) review current state enrollment funding practice, and (3) suggest alternatives to the current state enrollment funding practice, which the Higher Education Coordinating Board (HECB) could propose to the Governor and Legislature as part of the 2004 Master Plan for Higher Education.

Enrollment Needs through 2010

Over the next eight years, public demand for enrollment opportunity will continue to grow in Washington. Much of this growth will result simply from a significant rise in the age groups of people who traditionally seek higher education. Additionally, the new demands and opportunities of the 21st century economy will fuel citizens' desire and need to participate in higher education.

Forces affecting enrollment include:

- **Continued population pressures**
Growth in traditional college-going age groups will continue. The number of high school graduates is expected to peak in 2008.

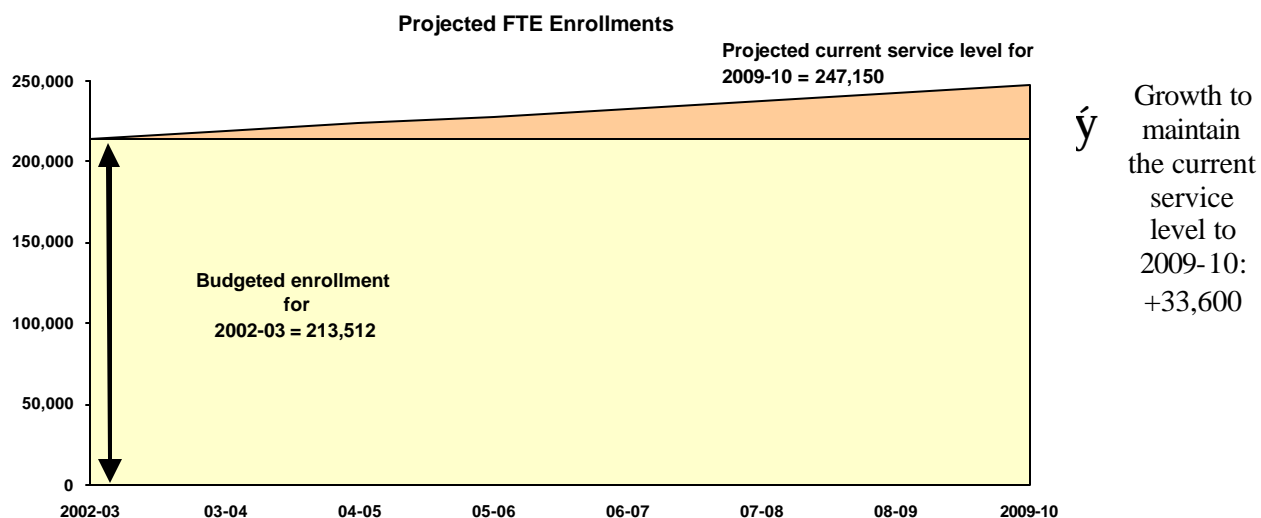
- **Employer/workforce demands**
Employer demands for workers with higher entry-level skills and retrained older workers are likely to continue and grow as the economy emerges from the current slowdown. Needs in particular high-demand fields are likely to continue as social, economic, demographic forces change.
- **Education reform**
The implementation of K-12 reform elements (Washington Assessment of Student Learning, Certificate of Mastery) will likely affect both the preparation of students and the pathways they will take to enter college in ways that cannot yet be determined.
- **Running Start/other dual enrollment options**
Growth in the number of students choosing to take advantage of Running Start and other college/high school dual enrollment options will increase enrollment pressure on public colleges and universities.
- **Technology**
Continued advances in technology should require workers to get more education to enter the workforce, and more retraining to keep their skills current. New and different programs will be necessary to meet changing needs, such as applied baccalaureate degrees.
- **Transfers**
Increases are expected in the number of students transferring from two-year institutions to four-year institutions to continue their education. Four-year institutions will be expected to accommodate these students who have already begun their academic work in the two-year system.
- **Policy initiatives**
The state may choose to adopt policy initiatives that are not reflected in the forces described above. These initiatives could include (1) increasing the participation of currently underrepresented groups to improve diversity in the educational system, and (2) undertaking outreach efforts to improve participation among students who are timebound or placebound.

Current budgetary and planning systems do not clearly recognize these forces, and funding/program changes to respond to them may not be provided on a timely basis to meet the needs of students. To maintain only the current rate of service, the state would need to fund 33,600 additional full-time student slots (FTEs) at the public universities and colleges between now and 2010. Added to this “current service level” will certainly be

increased demand resulting from many factors, including the restructuring of the state's workforce, the need to attain skills in advanced technology and K-12 reform.

The HECB supports a state enrollment commitment that funds, at a minimum, sufficient student enrollments to maintain the current service level, and also funds additional enrollments to respond to these additional demands.

Maintaining the 2002 public higher education service level would require 33,600 more funded enrollment slots by 2010.



Source: Office of Financial Management.

Current State Enrollment Funding Practice

Currently, the state budget process drives state enrollment policy and resource allocation decisions. Funding new higher education enrollment occurs in the context of:

- Competing spending needs with other areas of state government (e.g., prisons, health care, and K-12 education);
- Competing spending needs within higher education (e.g., salaries, financial aid);
- Available resources (driven by economic conditions);
- Tax policy; and
- Other considerations.

In a context of severe financial limitations, it is unlikely that the state budgeting process will be able to provide the resources necessary to meet the growing higher education enrollment needs through 2010. Therefore, alternatives to the current process for funding needed higher education enrollments should be explored.

An Alternative Enrollment Funding Practice

The challenge for state enrollment policy in the future is to develop and implement a funding practice that provides the educational opportunity that students, the economy and the state require. Current funding practice, which relies on the state budget process, places the emphasis on constrained resources, rather than on meeting enrollment needs. An alternative to the current funding approach is to adopt an enrollment funding practice that drives and controls the budget process – essentially the reverse of the current situation.

The justification for considering this change in enrollment funding practice can be found in a look at the current enrollment situation. In FY 2003, the Office of Financial Management (OFM) reports that institutions have enrolled an estimated 16,600 FTE students in excess of the number supported by state funds. This is a significant increase from the level of overenrollment of 12,300 in FY 2002. OFM reports that almost 21,000 additional enrollments will be needed in FY 2005, compared to the level funded in FY 2003, just to maintain the current service level. However, the Governor's proposed budget for FY 2005 only adds 200.

Budgeted Full-Time Equivalent Enrollments

		Governor Proposed	
	2002-03	FY 2004	FY 2005
Four-Year	85,290	85,290	85,290
Two-Year	128,222	126,872	126,872
High-Demand		550	1,550
Total	213,512	212,712	213,712

Projected actual enrollments in 2002-03 exceed budgeted enrollments by 16,641: 4,217 in the four-year system and 12,424 in the two-year system.

Options to change enrollment funding practice and reverse this situation of underfunded public institution enrollment budgets include:

1. **Changing the calculation of the state base budget for higher education to include enrollments.** Calculation of the base state budget for public colleges and universities could be constructed to include funding to either (1) maintain the current service level, or (2) achieve some or all of the enrollment policy goal.

In its November 2002 estimate, OFM calculated that an additional 33,600 FTEs would be needed between FY 2003 and FY 2010 to maintain the current service

level. Funding for enrollments to meet technology and workforce needs, K-12 reform, or other policy objectives would then either be added to this number or separately identified as budget decision items that would be considered in addition to the base budget level.

Including a specific item in the presentation of base budget requests to fund new FTEs to maintain the current service level would be helpful by clearly demonstrating the cost of this action. However, items presented in base budget requests, or decision items that are proposed in addition to base budgets, may be funded – or not. There is no requirement that any element of a base budget request be included in the final budget recommendation. Therefore, the direct benefit of this option is to provide information for consideration in the budget process, not to control the outcome of budget decisions.

2. **Enacting in statute a guarantee for added enrollment funding.** This option would be more prescriptive than option 1, and should be more likely to provide additional resources. It makes a much stronger commitment to increasing higher education access, putting added enrollments on an equal footing with other “entitlement” programs in the state budget. The enrollment level to be guaranteed would have to be determined. It could be to maintain the current service level, or to achieve some other level of enrollment commitment that is adopted.

While this approach improves the likelihood that additional funding would be provided because the statement of commitment is stronger, there is still the opportunity for the state to decide not to fund the statutorily-prescribed target. When the state’s financial condition worsens, the Legislature may decide to postpone or reduce funding for entitlement programs – and higher education enrollment funding in any particular budget process could be restricted.

3. **Proposing a constitutional amendment to guarantee access to higher education,** similar to the constitutional guarantee currently provided for a basic education in the K-12 system. Again, the level of enrollment guarantee would need to be determined. It could be to maintain the current service level, or to achieve some other level of enrollment commitment that is adopted. Also, it could apply to the first two years of college or to the completion of the first terminal degree or certificate.

This alternative would further reduce the risk that the number of enrollments would be funded at a level below the defined target or standard. Care would need to be exercised in determining the level of state support per student that is provided.

This approach could be considered a logical extension of the K-12 basic education guarantee, which is justified by evolving technology and the growing complexity of jobs. The timing for such a proposal may be appropriate, given efforts currently

under way to reform K-12 education and produce higher-performing students who will pursue a variety of educational pathways. These higher-performing students should be more likely to seek a college education, and many of the pathways should bridge the K-12 system and higher education. Limiting education reform to the completion of high school will not be sufficient to meet the needs of students, employers, the economy or the state in the 21st century.

The requirements to approve a constitutional amendment are:

- (a) Secure a two-thirds majority of both houses of the Legislature, and
- (b) Secure a simple majority of the voters in the next general election.

Key Challenges

Extending a state enrollment funding commitment or guarantee raises a number of implementation issues, including the following.

- **Establishing an adequate level of per-student state funding.** Adequate state funding for both base education budgets and new enrollments is essential. Otherwise, the real opportunity for students to receive a quality education will be denied.
- **Apportioning the additional enrollments between the two-year and four-year sectors and among the various institutions.** The processes and expectations for institutions to create and change programs to meet changing needs (student, social and economic) needs to be addressed.
- **Smoothing students' transitions from high school to college,** and improving the student transfer process among higher education institutions.
- **Assessing the impact on state support for graduate education and retraining.** The commitment and expectations for funding graduate education and worker retraining would need to be determined, assuming that they would fall outside the funding guarantee. These are critical components of the higher education system and must be preserved and enhanced.
- **Examining the implications for tuition and financial aid.** A funding commitment or guarantee for state support does not provide true opportunity for students if either tuition charges or inadequate financial aid preclude students from enrolling.

Key Benefits

Adopting and implementing an enrollment funding commitment or guarantee will provide greater predictability and certainty.

- Students and their families will be able to plan for opportunities to attend at least the level of higher education supported by the state's funding commitment.
- Colleges and universities will be able to plan for and accommodate growth and program changes in a carefully considered multi-year framework, rather than being forced to respond to changing budget outcomes.
- The state will be able to forecast financial requirements to implement the enrollment funding policy for years into the future.
- Employers will be able to prepare for a flow of better-trained workers to fill the jobs of the 21st century.
- Communities around the state will be able to count on an educated population that can contribute to improving the social, cultural and community aspects of living in Washington.

State Enrollment Policy and Funding Practice

2004 HECB Master Plan—Beginning Discussion



Board Meeting Presentation

Jan. 29, 2003

W A S H I N G T O N
H I G H E R
EDUCATION
C O O R D I N A T I N G B O A R D

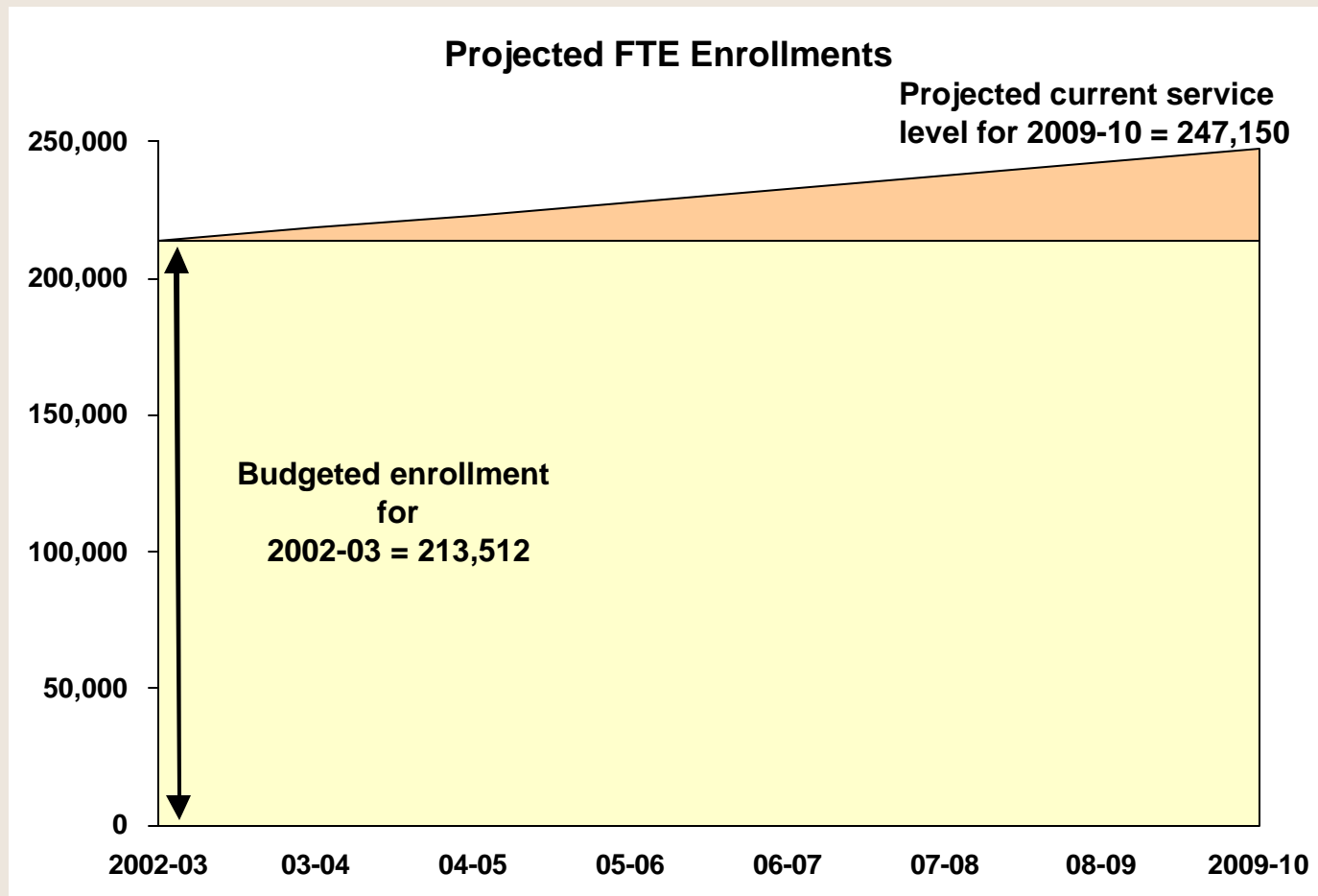
Beginning the discussion

- A. Identify enrollment needs and pressures through 2010
- B. Review current state enrollment funding practice
- C. Offer alternatives to current enrollment funding practice

A. Enrollment needs and pressures through 2010

- Public demand for enrollment opportunity will continue to grow in Washington
- Demographic impact is measured by the number of currently enrolled students compared to the population
- The “current service level” is the projection of enrollments needed to maintain this year’s participation rate
- 33,600 new FTEs are needed by 2010 to maintain the “current service level”

Maintaining the 2002 public higher education service level would require 33,600 more funded enrollment slots by 2010



Growth to maintain the current service level to 2009-10: +33,600

Source: OFM

Other forces affecting enrollment

- Employer and workforce demands
- K-12 education reform
- Running Start and other dual enrollment options
- Changing technology
- Transfers from 2-year to 4-year institutions
- Policy initiatives—diversity and outreach

Summary: A new basis for state enrollment policy

1. The HECB supports a state enrollment commitment that funds, at a minimum, new enrollments to maintain the current level of service, and,
2. Also funds additional enrollments to respond to these additional forces

B. Currently, the state budget process sets enrollment policy

- The state's current higher education policy is the net result of budget negotiations
- Often these decisions are without reference to any larger framework describing educational ends
- Spending needs compete with other areas of state government, (e.g., K-12, health care, prisons)
- Spending needs compete within higher education (e.g., enrollments, salaries, financial aid)
- “....getting policy without making policy”

State budget process is not responding effectively to enrollment need

- In the last two biennia:

Biennium	Portion of HECB recommendation funded	Ending overenrollment
1999-2001	83 percent	FY 2000-4,053; FY 2001-4,308
2001-2003	69 percent	FY 2002-12,326; FY 2003-16,641 (est.)

- For the 2003-05 biennium:
 - OFM projects that 21,000 funded enrollments are needed to maintain current service level
 - Institutions requested 9,700 new enrollments
 - Governor has proposed only 200 new enrollments

The Governor proposes keeping budgeted enrollments flat during the 2003-2005 biennium

Budgeted full-time equivalent enrollments

Gov. proposed

	FY 2003	FY 2004	FY 2005
4-year	85,290	85,290	85,290
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Source: OFM

C. Alternatives to current enrollment funding practice

Alternatives to the current state budget process for funding enrollments should be explored:

1. Changing the calculation of the state's "base budget" to include new enrollments
2. Enacting in statute a guarantee for added enrollment funding
3. Proposing a constitutional guarantee of access to public higher education

1. Changing the calculation of the state base budget to include new enrollments

- Include funding in the base budget to at least maintain the current service level
- Consider additional enrollments as increments added to the base budget
- OFM estimates that 33,600 new enrollments will be needed by 2010 to maintain the current service level
- Not a guarantee of new funding

2. Enacting in statute a guarantee for added enrollment funding

- Puts enrollment on an equal footing with other state “entitlement” programs
- The level of guaranteed enrollment access would need to be determined
- Increases the likelihood of additional funding
- Still not a guarantee of new funding

3. A constitutional guarantee of access to public higher education

- Puts enrollment on an equal footing with K-12 basic education
- The level of guaranteed enrollment access would need to be determined
- Guarantees funding
- Requires two-thirds majority legislative vote and majority of voters in a general election

Key challenges to implementing an enrollment funding guarantee

- Establishing an adequate level of funding per student while protecting other core functions
- Apportioning enrollments among sectors and institutions
- Smoothing high school-to-college transition and the transfer process
- Assessing impacts on graduate education and retraining
- Examining implications for tuition, financial aid

Key benefits of an enrollment funding guarantee

- Predictability for:
 - Students and their families
 - Colleges and universities
 - State budgeting process
 - Employers
- Enhancement of individual lives and society
- Economic growth
- Provides funding for enrollment needs and demands

Next steps: working closely with institutions and stakeholders

- Quantify the forces driving enrollment increases through 2010, where possible
- Monitor and report January 2003 actual enrollment levels
- Monitor and report legislative deliberations on enrollment budgets, policy and funding practice
- Coordinate discussion of options for changing enrollment funding practice